



Department of Justice

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NEW YORK STATE PERIODICAL DISTRIBUTOR PLEADS GUILTY TO MARKET ALLOCATION CHARGES

WASHINGTON, D.C. — A New York State periodical distributor pleaded guilty today and was sentenced to pay a criminal fine of \$200,000 for allocating markets for the wholesale distribution of magazines, other periodicals, and books in Western New York State and at the Pittsburgh International Airport, the Department of Justice announced.

Empire State News Corporation Inc. (Empire), of Buffalo, New York, was charged in a two-count felony case filed today in U.S. District Court in Syracuse, New York. The case charged that Empire participated in a conspiracy to suppress and eliminate competition in the wholesale distribution of magazines, other periodicals, and books in Western New York State from January 1999 to mid-2000. Additionally, Empire was charged with participating in a conspiracy to eliminate competition for the contract to supply magazines, other periodicals, and books at the Pittsburgh International Airport between March 1999 and mid-2000. Under the plea agreement, Empire is cooperating in the ongoing investigation into violations of antitrust laws and other related criminal laws in the wholesale magazine distribution industry.

Wholesale distributors receive magazines, other periodicals, and books directly from publishers and national distributors, and then distribute them to retailers for sale to the general public.

According to court papers, Empire and another wholesale distributor carried out the market allocation scheme by engaging in discussions regarding the allocation of markets, agreeing in those discussions to allocate markets, and then withdrawing from servicing some customers for the purpose of implementing the agreed-upon market allocations for the wholesale distribution of magazines, other periodicals, and books in Western New York State. Empire is also charged with participating in a conspiracy to suppress and eliminate competition by agreeing to refrain from the wholesale distribution of magazines, other periodicals, and books at the Pittsburgh International Airport in Western Pennsylvania in exchange for another wholesale distributor not expanding its market share in Buffalo, New York, the home territory of Empire.

Empire was charged with violating Section One of the Sherman Act, which carries a maximum fine of \$10 million, per count, for a corporation. The maximum fine may be increased to twice the gain derived from the crime or twice the loss suffered by the victims of the crime, if either of those amounts is greater than the statutory maximum fine.

Today's charges resulted from an ongoing investigation of the wholesale magazine distribution industry being conducted by the Division's Cleveland Field Office with assistance from the Syracuse, Albany, and Buffalo, New York Offices of the Federal Bureau of Investigation.

Anyone with information concerning bid rigging, territorial or customer allocation or related offenses in the wholesale magazine industry should contact the Cleveland Field Office of the Antitrust Division at (216) 522-4070.

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